

Budget Woes

WARNED THAT THE BUDGET ADOPTED FOR 2001-03 MUST BE REDUCED BY \$1.3 BILLION, LEGISLATORS ARE EXPERIENCING THE BUDGET BLUES PRIOR TO THE BEGINNING OF THE 2002 SESSION ON JANUARY 14.

Increased Costs: \$400 Million

Filling the LEOFF assumptions The budget assumed use of **\$125 million** from Law Enforcement Officers and Fire Fighters pension fund surplus to support a transfer to state operations. Since this measure did not pass, a new funding source must be found.

Judgments against the State In mid-October, the state Supreme Court ruled against a DSHS practice that used foster care children's social security benefits to offset the cost of their care. The state's retroactive liability is projected to be **\$105 million**. The state plans to appeal to the U.S. Supreme Court.

The Association of Retarded Citizens (ARC) of Washington suit is in settlement negotiations. Settlement could require up to \$10 million in general fund-state expenses this biennium.

K-12 Caseload Adjustments Some 11,600 more pupils than expected will be enrolled. Enrollments are thought to be higher because of fewer dropouts and more families switching from private schools to public schools. At about \$5,500 per student, that adds about \$83 million to the state budget. In addition, special education enrollment increases will raise school costs by at least **\$17 million**.

Department of Corrections Forecast Adjustments The corrections forecast has been revised upward, signifying a larger inmate population than was accounted for in the original budget; costing **\$30 million**.

Summer Firefighting Costs The wildfires in Eastern Washington have resulted in state expenditures of nearly \$40 million above budgeted levels. The federal government is expected to pick up \$15 million, leaving the state with a **\$25 million** tab.

Teachers' COLA Initiative 732 requires an annual cost-of-living adjustment tied to the Consumer Price Index (CPI) for teachers and some higher education employees. The budget included an appropriation for a 3.1% COLA in 2003. However, the September forecast projected the CPI to be 3.5%, an additional **\$13 million**.

Decreased Revenues: \$914 Million

\$800 million in Lower General Fund Revenues Primarily due to the economic fallout in the airline industry following the September 11th terrorist attacks, the Boeing Company has announced layoffs of more than 30,000 workers. From a historical peak of 114,000 Washington state workers in 1998, Boeing anticipates reducing its in-state workforce to 65,000 by 2003. When allied businesses that rely on Boeing are factored in, up to 45,000 total jobs could be lost. Washington state currently has the highest unemployment rates in the Nation.

Initiatives Two initiatives that passed in November are projected to reduce state revenues by nearly \$34 million. The largest impact comes from I-747 (property tax limitation) which will reduce state revenues by \$25 million. I-773 (the tobacco tax increase) reduce state revenues by another \$9 million. This is based on the likelihood that consumption will decrease. (These initiative reductions are in addition to the November 2000 Initiatives 728 and 732 which reduced state revenues by almost \$800 million).

What is the solution to the new \$1.3 billion shortfall?

A shortfall of this amount is about 6 percent of the \$22.8 billion two-year-budget. However, since most of the cuts will come out of the second year of this biennium, it doubles the impact, making the 6 percent 12 percent of \$11.4 billion. K-12 education takes 44 percent and higher education takes 12 percent; together education takes 56 percent of the budget. If no cuts are made to education, this raises the percentage to 25 percent on remaining services. Of these, the Department of Social and Health Services (DSHS) takes 27 percent and the Department of Corrections takes 12 percent. Together these two agencies take 39 percent of the remaining 44 percent of the budget, leaving

5 percent for all other governmental services. There will be many efficiency savings as legislators “scrub” the budget.

For many public services, demand is unrelated to taxpayers’ willingness to pay. **Sometimes the demand for services increases as the economy tanks.** Many people suffer from depression when they lose their job, putting more burden on our mental health system. School enrollments don’t fall off when parents lose their jobs. Criminals don’t take a holiday when retail sales are low and less sales tax revenues come into the state coffers. No doubt, citizens will continue to sue the state for more services or for wrongs.

Medical Assistance and Prescription Drugs

There is no medicine for the state’s budget woes despite efforts to curb costs in the 2001-2003 budget. State expenditures on medical assistance payments are expected to rise 30 percent above the preceding two years, hitting a total of \$2.7 billion. The biggest cost-drivers are in aid to the aged, disabled and mentally ill, with prescription drug costs alone reaching over \$800 million. Drug costs have been growing 25 percent, over \$150 million, from budget cycle to budget cycle. Our economic-driven society justifies the use of drugs by saying they keep patients out of hospitals and thereby save money. This is true in many cases; however, it has also resulted in the over-utilization of drugs.

To gain some control over medical and prescription drug costs, **DSHS plans to ask the federal government for a waiver permitting the state to initiate reforms.** These

will include capping enrollments and adjusting coverage and benefits to meet budgetary constraints and **mandating the use of less expensive generic drugs for certain health problems.** This is going to be very controversial.



There will be many efficiency savings as legislators “scrub” the budget. While there will be no easy choices, among the reductions being considered are:

Eliminating several government programs

Cutting unnecessary state expenses such as travel

Laying-off state workers

Instituting a hiring freeze

Reducing employee salaries

Eliminating seasonal and part-time employees

Streamlining agency management

Encouraging early retirement

Funding fewer higher education enrollment slots

Cutting back on government assistance programs for the poor such as an end to general-assistance payments to the state’s hardest-to-employ people

Tougher eligibility criteria so that people will have to be poorer or in more dire need of assistance before qualifying for state services

Reducing medical assistance and prescription-drug coverage

Reducing prison terms for non-violent drug offenders

Closure of wings in state mental hospitals

Cuts in adult dental and vision care

Reduced payments to nursing homes.

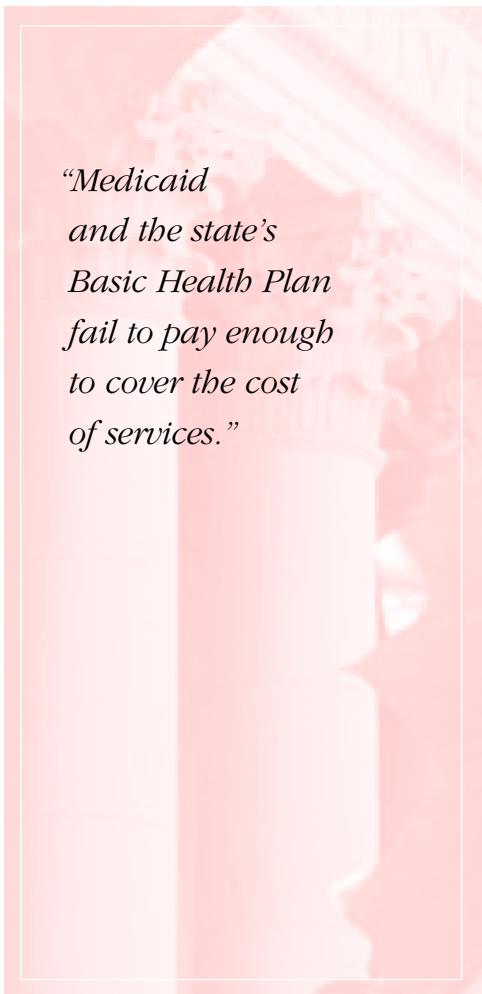
Medicaid Payments to Doctors, Dentists, Hospitals

Medicaid and the state's Basic Health Plan fail to pay enough to cover the cost of services. **Increasing numbers of doctors and dentists are being forced to restrict, reduce or eliminate the number of Medicaid and Basic Health Plan patients they will see.** With state revenues falling by \$914 million and state expenses rising by \$400 million, we are experiencing a \$1.3 billion shortfall in the state budget and providers could experience another cut in medical and long-term care reimbursements. Washington's Medicare payment level now is fifth from the bottom nationally. When Medicaid patients can no longer obtain the services of a physician, hospital emergency care increases. **Hospital emergency care is very expensive for both the state and the hospital.** Hospitals often never collect for the care provided; they must write it off as charity.

Adequate funding for public medical programs is needed. In addition,

some honesty among legislators and the general public is needed over the gap between the promises of expanding eligibility and coverage and the limitation of resources. The recent approval of an increase in the state's tobacco tax (**Initiative 773**) will add thousands of people to the Basic Health Plan. **The state currently subsidizes 125,000 families, costing taxpayers nearly half a billion dollars.** Thousands of additional enrollees will be added this biennium from the tobacco-tax increase. While obtaining medical insurance is a worthy goal, if medical reimbursement payments are made even lower, these families will have difficulty finding medical services.

When physician fees are reduced by two-thirds or more because of low Medicaid and Basic Health Plan reimbursements, and when these patients don't show-up for their scheduled appointments, physicians lose additional revenue. It doesn't take a degree in accounting to figure out that such service is a financial negative.

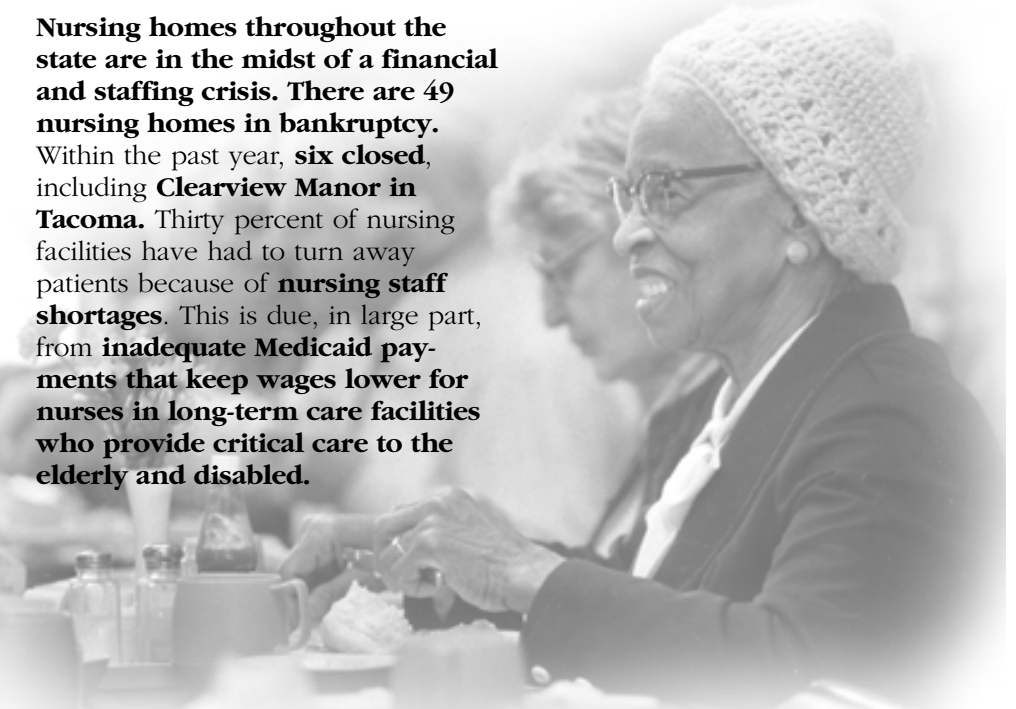


"Medicaid and the state's Basic Health Plan fail to pay enough to cover the cost of services."

Nursing Homes

It appears that nursing homes could also be targeted for more cuts as Washington's Medicaid program struggles to control surging costs. **On average, 70 percent of nursing-home patients are supported by Medicaid.** Nursing homes across the state are asking for higher Medicaid payments, not lower. The only way that nursing homes can stay in business, is to **charge private pay patients \$20 to \$30 a day more** than what the state pays for Medicaid patients. A recent study concluded that the gap between nursing-home costs and state Medicaid payments amounts to \$11.61 per patient a day, or \$61 million a year—the ninth-worst nationally.

Nursing homes throughout the state are in the midst of a financial and staffing crisis. There are 49 nursing homes in bankruptcy. Within the past year, **six closed, including Clearview Manor in Tacoma.** Thirty percent of nursing facilities have had to turn away patients because of **nursing staff shortages.** This is due, in large part, from **inadequate Medicaid payments that keep wages lower for nurses in long-term care facilities who provide critical care to the elderly and disabled.**



Litigation Concerning Medicaid Services for Persons with Developmental Disabilities (DD)

“While controlling costs may appear to be the prudent course of action by the state, it could bring about more costly lawsuits and a decline in medical and long-term-care services.”

Over the past 30 years, litigation concerning services for people with developmental disabilities has centered on large state-operated institutions. Lawsuits have resulted in courts ordering many states to improve institutional services and living conditions and/or arrange the community placement of institutional residents.

Over the past three years, there has been a flurry of lawsuits aimed at securing prompt access to home and community services for people with developmental and other disabilities.

Known as **“Waiting List” lawsuits**, they claim the state’s have failed to provide Medicaid long-term services with “reasonable promptness” to otherwise eligible persons with developmental disabilities. The lawsuits assert that certain provisions of federal law create an affirmative obligation for states to furnish Medicaid home and community services to people with developmental and other disabilities on an as needed basis.

“Olmstead” lawsuits claim institutionalized persons, or persons with disabilities who would otherwise be entitled to institutional services, have been improperly denied the opportunity to receive community services in the “most integrated setting.” The Olmstead decision also has sparked more lawsuits seeking access to home and community services on behalf of institutionalized persons, principally individuals with disabilities who are served in nursing facilities. These lawsuits demand changes in state policy so that individuals presently served in nursing facilities and other institutional settings have ready access to home and community services.

Other lawsuits are challenging state policies and practices that plaintiffs contend result in individuals in the community not being able to access the full-range of community services to which they are otherwise entitled. Some of these lawsuits contend that low state payments for services create barriers to securing authorized services. Others challenge state practices in rationing the availability of some types of community services.

Mental Health Services

As the needs increase and funding decreases, mental health services will be less available for all but the most seriously mentally ill at a time when caseloads have increased by 25 percent. As the needs of the community increase, pressure will also increase to ensure that the Medicaid population is being adequately served so that they aren’t dumped onto city streets where they end up sleeping on park benches, sidewalks or under bridges. This could have the effect of restricting access to care at mental health centers for those who are not Medicaid eligible.

For fiscal year 2002, **Greater Lakes Mental Health Center forecasts a \$700,000 deficit.** The three local mental health facilities in Pierce County have terminated 130 staff members; further downsizing of staff and reductions in clients will be needed. **Western State Hospital decreased the number of additional beds formerly provided for Pierce County resident-patients so more beds could be allocated for patients from other counties.** Several years ago, Pierce County was given a larger bed allocation than other counties because so many patients stay in the area after being released from the hospital. In recent years, rural counties experienced an increase in their mentally ill population and lacked adequate resources to care for them. These counties lobbied the legislature for their “fair share” of mental health funding. As a result, Pierce County’s allocation was reduced by 90 beds.



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Identity Theft

Identity theft is one of the fastest growing scams in the United States. Not only does it violate a consumer's privacy, but identity theft ruins a consumer's credit and good name.

My husband had his Social Security number stolen; several of my constituents have experienced various kinds of fraudulent identity theft and reported their horror stories to me.

One constituent had her wallet stolen. Within a week, the thief or thieves ordered an expensive cell phone, applied for a VISA credit card, had a credit line approved over the Internet to purchase a new computer, received a PIN number from the Department of Motor Vehicles to change her driving-record information online, and more.

In another constituent case, an elderly lady ordered new checks from her bank. The box of checks were mailed to her and stolen from her mailbox. The thief or thieves went on a two-day shopping spree, writing checks for almost \$2,000 at the Lakewood Mall. They cashed checks at several stores, purchasing new shoes, clothing, bedding, dishes, jewelry, luggage, cosmetics, and even dined at two restaurants. Since there wasn't enough money in her checking account to cover the thieves' purchases, the checks were returned to the merchants. Within a couple of months, this lady went through the horrors of having collection agencies calling her at all hours of the day and night. In addition, they sent her threatening letters. This went on for over a year, causing her mental and physical anguish.

After she reported her situation to me, I decided that the legislature needed to pass an identity theft measure. I co-sponsored Senate Bill 5449 which is now the law. The Attorney General's Office has printed a Consumer Guide explaining what citizens and businesses should know about identity theft. Please call my home office at 564-5494 or write to me for a copy. The Federal Trade Commission and Attorney General post step-by-step directions on their web sites for reporting identity theft and protecting your credit history.

The Internet addresses are:

Federal Trade Commission:

<http://www.ftc.gov>

Washington State Attorney General's Office:

<http://www.wa.gov/ago>

If you ever become the victim of identity theft, here are some prudent things to do:

1) Cancel your credit cards immediately. It is important that you have your credit card numbers written down along with the toll-free numbers of the companies and/or stores that issued the credit cards so that you know whom to call in an emergency. Keep this information in a place where you can easily find it. When your wallet is stolen, and anxiety overcomes you, it is sometimes difficult to remember exactly what cards were in your wallet.

2) File a police report immediately in the jurisdiction where the thievery takes place. This proves to credit providers that you were diligent. It is the first step toward an investigation.

3) Call the three national credit reporting organizations immediately to place a fraud alert on your name and Social Security number. This alert means any company that checks your credit knows your information was stolen and they have to contact you by phone to authorize new credit. There are records of all credit checks initiated by the thieves' purchases.

To report fraud, call the toll-free numbers of the national credit reporting organizations and Social Security:

Equifax: 1-800-525-6285

Experian: 1-888-397-3742

Trans Union: 1-800-680-7289

Social Security Fraud Line: 1-800-269-0271

4) When ordering new checks, ask your bank or credit union not to mail the checks to your home. Ask that your checks be held for you to pick up.

5) Guard your mail from theft. When paying your bills by check, do not leave the payments in your mail box with the red flag up. While this may be a signal for your mail carrier to stop, it is also a signal for thieves to peek into your mailbox and steal your outgoing mail. Thieves are experts in washing-off the name of the payee and the amount of the check. Not only will your creditors not get paid if your checks are stolen, the money in your checking account will vanish and your account will be overdrawn.

6) Don't carry your Social Security card. Do not give your Social Security number, mother's maiden name or account numbers to strangers who contact you, especially by phone, Internet or mail. Legitimate financial or government organizations that do business with you already have this information and will not ask for it over the telephone. Identity thieves sometimes pose as business, bank or government representatives to get you to reveal personal information.

7) Don't carry credit cards or ID cards you don't need.

8) Tear or shred charge receipts, copies of credit applications, insurance forms, physician statements, bank checks and statements, expired charge cards and credit offers you get in the mail.